

FISCAL NOTE

Bill #: HB0184

Title: Expand Treasure State Endowment Program for research

Primary Sponsor: Hal Harper

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
State Special Revenue	\$374,265	\$1,103,400
Revenue:		
General Fund	(\$374,265)	(\$1,103,400)
State Special Revenue	\$374,265	\$1,103,400
Net Impact on General Fund Balance:	(\$374,265)	(\$1,103,400)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The Permanent Coal Tax Trust under current law is partitioned into five subfunds. Two of the subfunds, the permanent fund, and the treasure state endowment fund each currently receive approximately 50% of new coal tax revenues dedicated to the trust.
2. All income from the permanent fund is currently deposited into the general fund.

3. All income from the treasure state endowment fund is legislatively appropriated for infrastructure grants in HB11.
4. HB184 establishes an additional subfund (a research and commercialization trust fund) within the Permanent Coal Tax Trust.
5. HB184 would dedicate revenues as described in the following table:

Effective Dates	Treasure State	Research & Commercialization	Permanent Trust	Totals
07/01/99 - 06/30/01	50.00%	25.00%	25.00%	100.00%
07/01/01 - 06/30/09	75.00%	12.50%	12.50%	100.00%
07/01/09 - 06/30/15	100.00%	0.00%	0.00%	100.00%

* NOTE: HB184 as introduced has numerous conflicts relating to revenue allocations, percentages and dates.

6. New coal tax revenues deposited in the treasure state endowment, the research and commercialization trust fund, and the permanent fund will be \$32.4 million during the 2001 biennium and will be deposited quarterly.
7. Interest earnings on new coal tax revenues deposited in the subfunds will be 6% each year of the biennium. Interest is not compounded because it is expended.
8. Administrative expenses are estimated to be \$200,000 annually and include 1.00 FTE exempt executive director, 1.00 FTE exempt senior investment officer, and 1.00 FTE grade 12 administrative assistant.

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	3.00	3.00

Expenditures:

Personal Services	\$174,500	\$174,500
Operating Expenses	70,112	70,112
Equipment	10,000	0
Grants/Loans	<u>119,653</u>	<u>858,788</u>
TOTAL	\$374,265	\$1,103,400

Funding:

State Special Revenue (02)	\$374,265	\$1,103,400
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Revenues:

General Fund (01)	(\$374,265)	(\$1,103,400)
State Special Revenue (02)	\$374,265	\$1,103,400

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$374,265)	(\$1,103,400)
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Based upon the assumed increased amount of funds available for local government grants, at a minimum, 12 additional projects would be funded (based upon the maximum of \$500,000 per grant). Generally, the local governments building these projects use local funds, either already acquired or through a bond/loan, to fund the project in part.

LONG-RANGE IMPACTS:

1. Revenues to the general fund would be reduced permanently.
2. Based upon the increased amount of funds available for local government grants (resulting from both the current estimated growth of the treasure state endowment fund and the additional growth in the fund that would result from this bill), an additional FTE (program specialist, grade 15) would be needed to evaluate the increasing number of project proposals and to manage the funds appropriated for the increased number of local government projects. The additional FTE would likely be needed starting the beginning of FY 2003, in order to evaluate the additional applications from local government that would be funded in FYs 2004 and 2005.

TECHNICAL NOTES:

Section 17-5-703(4) does not specify the percentage amount that the state treasurer shall transfer each quarter to the treasure state endowment fund from the coal severance tax bond fund, beginning July 1, 2009, and ending June 30, 2015. Not specifically stating a percentage amount would imply that 100% of the funds in excess of the amount that is specified in subsection (2) be retained in the fund and that excess amounts that are transferred pursuant to subsection (3) shall be transferred to the treasure state endowment fund.

However, Section 17-5-703(5), states that beginning July 1, 2001, through June 30, 2015, the state treasurer shall quarterly transfer to the research and commercialization trust fund 25% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of amounts that are transferred pursuant to subsections (3) and (4).

This would imply that beginning July 1, 2009, and ending June 30, 2015, the state treasurer shall transfer each quarter to the treasure state endowment fund 75% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of amounts that are transferred pursuant to subsections (3) and (4).

Conflicts as to revenue allocations, percentages, and dates could be resolved through the use of tables such as the one above in assumption 5.

Section 2 of the bill makes the Board of Investments responsible for investing the Research and Commercialization Trust Fund corpus, while 17-6-308(3) permits the newly created Board of Research and Commercialization Technology to administer the same fund. The new board should administer the special revenue account established in new Section 3.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)

HB184 establishes a state special revenue account for the research & commercialization trust fund. The purpose of the SSR is to encourage the diversification of Montana's economy through a strong technology-based economic sector. An improved economy will support traditional economic sectors and provide improved educational and employment opportunities for Montana's youth.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

By placing the proceeds of this proposed legislation into a state special revenue account the Legislature is assured that the program is enacted and working as intended.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? X Yes No (if no, explain)

- d) Does the need for this state special revenue provision still exist? X Yes No (Explain)

HB184 establishes a state special revenue account for the research & commercialization trust fund. The purpose of the SSR is to encourage the diversification of Montana's economy through a strong technology based economic sector.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

No, the establishment of a SSR will not hinder the Legislature's ability to scrutinize budgets, control expenditures or establish priorities. A SSR account will assist in each of these items.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes, provided the Legislature would continue to mandate State responsibility for the Research & Commercialization Program.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The dedicated revenue provision, which is required in the proposed legislation, would provide accounting efficiencies within the Department of Commerce. It would allow for the quick and accurate analysis of how effective and efficient the Research & Commercialization Program is. If this proposal were to be funded through the general fund it would be much more difficult to determine program effectiveness and efficiency.